

REINVESTMENT ZONE NUMBER EIGHT

CITY OF HOUSTON, TEXAS

(GULFGATE TIRZ)

**Amended
Project Plan & Reinvestment Zone
Financing Plan**

June 25, 1999

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OVERVIEW

The Reinvestment Zone Number Eight, City of Houston, Texas (the "Zone") was created by the City of Houston (the "City"), Ordinance No. 97-1524, dated December 10, 1997. The Project Plan and Reinvestment Zone Financing Plan (the "Final Plan") was adopted by the Board of Directors (the "Board") of the Zone on December 15, 1997 and approved by the City Council on December 17, 1997. The Zone as originally designated contained 67.58 acres which included approximately 51.00 acres comprised of Gulfgate Mall (the "Mall"), 3.90 acres of property peripheral to the Mall, and 12.68 acres of public rights-of-way. The Mall is owned and being redeveloped by a limited partnership composed of the Houston Redevelopment Authority, a not-for-profit corporation, Houston Gulfgate Partners, L.P., a Texas Limited Partnership, as its limited partners, and Wulfe Gulfgate, Inc., as its general partner (collectively the "Developer"). The TIRZ helped establish a financing mechanism for acquiring the blighted Mall and implementing the project plan.

In addition to creating the Zone, by adoption of Resolution 97-66, the City concurrently created the Gulfgate Redevelopment Authority (the "Gulfgate RDA") a local government corporation, formed pursuant to the provisions of Chapter 394 of the Texas Local Government Code, to aid, assist, and act on behalf of the City and the Zone.

The Project and Reinvestment Zone Financing Plan estimated the total Project Cost for the Zone at \$6.5 million to enable the purchase, demolition and reconstruction of the Mall. The Zone secured the participation of Harris County. The Houston Independent School District ("HISD") also agreed to participate subject to the annexation of Park Place Elementary School into the Zone.

Wulfe & Co., Edmond D. Wulfe or other Wulfe-controlled entities (collectively "Wulfe") have acquired, or are in the process of pursuing the acquisition of adjacent blighted properties as part of an overall redevelopment plan for the Gulfgate area. To date, these entities own 8.46 acres adjacent to the Mall. Following a strategy similar to the successful Meyerland redevelopment, Wulfe is negotiating to acquire additional properties and to list other properties adjacent to Gulfgate Shopping Center to promote the redevelopment of the larger area.

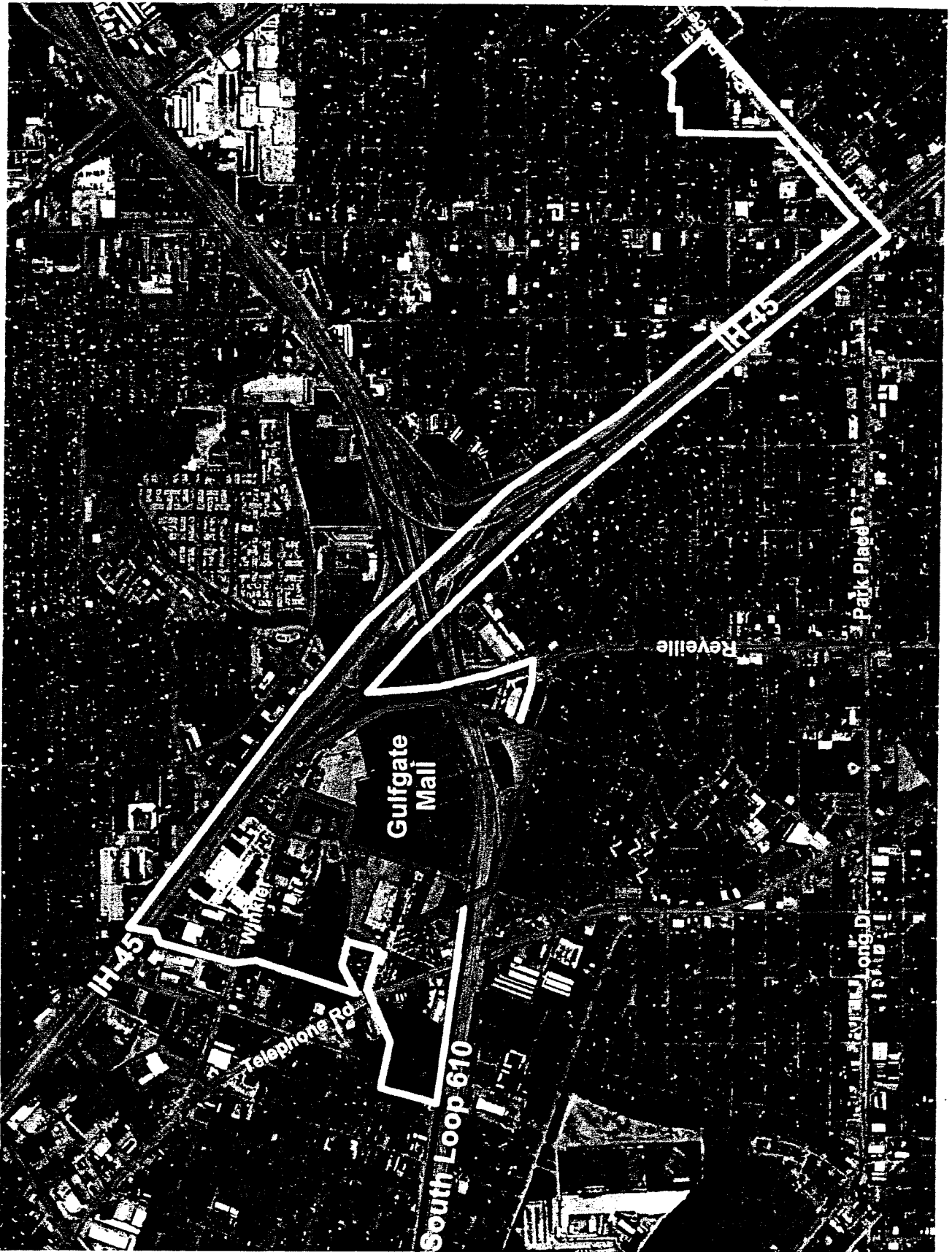
The Gulfgate Center redevelopment has become the catalyst for revitalization efforts in the area. Construction of Gulfgate Court, the East End's first new major center in two decades began in 1998. However, significant public improvements are needed to sustain these efforts.

Wulfe and the original Zone Developer propose a 185-acre expansion of the TIRZ to facilitate the redevelopment of the surrounding blighted commercial properties by funding public improvements that will support new development. Figure 1 on the following page shows the original Zone boundary and the proposed expansion. The land adjacent to the Mall, if not redeveloped, could negatively impact Gulfgate Shopping Center and the City's investment in the original Zone because of its condition and land uses. Current land uses within the expansion area include auto salvage lots, vacant and boarded-up structures, and vacant lots littered with foundations of demolished apartments.

Much of the vacant and under-utilized property along Village Way and Winkler was originally platted as single family residential. The residential street infrastructure and traffic control system is in many cases inadequate for the commercial redevelopment being considered. Furthermore, an aging box culvert and drainage easement bisects the expansion area and a key 21-acre development site. The culvert and easement effectively split a major development site across from the Mall, which impedes the development of big-box retail, the highest and best use of the site.

Enlargement of the original Zone boundary will result in the Zone expanding to 259 acres, including rights-of-way. The proposed enlargement will enable the redevelopment of commercial areas surrounding the Mall by providing a financing mechanism to fund necessary public improvements. It will also ensure HISD participation in the entire Zone by including Park Place Elementary in the expansion.

FIGURE 1 – ORIGINAL GULFATE TIRZ AND EXPANSION



PART A: AMENDED TIRZ PLAN (EXPANSION AREA)

I. PROJECT PLAN AMENDMENT

A. Existing Uses and Conditions (311.011(b)(1))

The proposed 185-acre expansion encompasses approximately 89 acres of public rights-of-way and 11 acres of educational facilities (Park Place Elementary). The inclusion of Park Place Elementary school is a condition to HISD's participation in the Zone per HISD School Board action of December 17, 1998. Approximately 84 acres of the 185-acre enlargement provide opportunities for redevelopment. Figure 2 (page 6) illustrates current land uses within the proposed expansion area.

The existing conditions in the expansion area impair the sound growth of the area and City, and meets the criteria for reinvestment zone status described in Sec. 311.005 of the Texas Tax Code based on the presence of the following conditions:

- *Faulty lot layout in relation to accessibility and usefulness*

Faulty lot layouts resulting from an aging and obsolete storm drainage box culvert limit the usefulness of 21 acres across from Gulfgate Center on Woodridge and impede redevelopment. Commercial redevelopment of these key parcels will require the removal and relocation of the existing public drainage easement and aging box culvert that divide tracts and reduce possible building envelope size.

- *Obsolete platting and the predominance of defective street layout*

Obsolete platting based on the area's original residential and low-intensity commercial development pattern has resulted in a traffic circulation and drainage system that is undersized for a major commercial development. Intersections along Woodridge do not have adequate traffic control devices to serve the new commercial development. Access to the area and circulation between individual commercial developments must also be improved.

- *A substantial number of substandard and deteriorating structures*

The 84 acres of privately owned property are generally under-utilized and blighted and have a substantial number of deteriorating structures. Vacant parcels suffer from poor drainage and many still have the foundations from demolished apartment buildings. These site and structure conditions threaten the success of the Gulfgate Shopping Center project and impede further redevelopment of the area. Examples of these conditions are illustrated on Figures 3A through 3J (pages 7-11).

FIGURE 2

Gulfgate TIRZ Expansion
Existing Land Uses

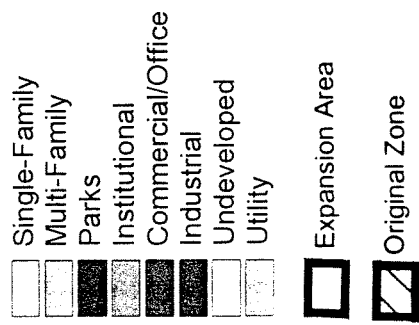




Figure 3A: 7000 Block Village Way – Indicative of vacant, unsanitary conditions, deteriorating streets, and poor street layout



Figure 3B: 6800 Block Gulf Freeway – Vacant, boarded-up, deteriorating structures



Figure 3C: Village Way Drive – Abandoned and deteriorated streets along Village Way



Figure 3D: Woodridge at Loop 610 South – Vacant, poorly drained site



Figure 3E: Woodridge at Loop 610 South – Vacant, unsanitary conditions

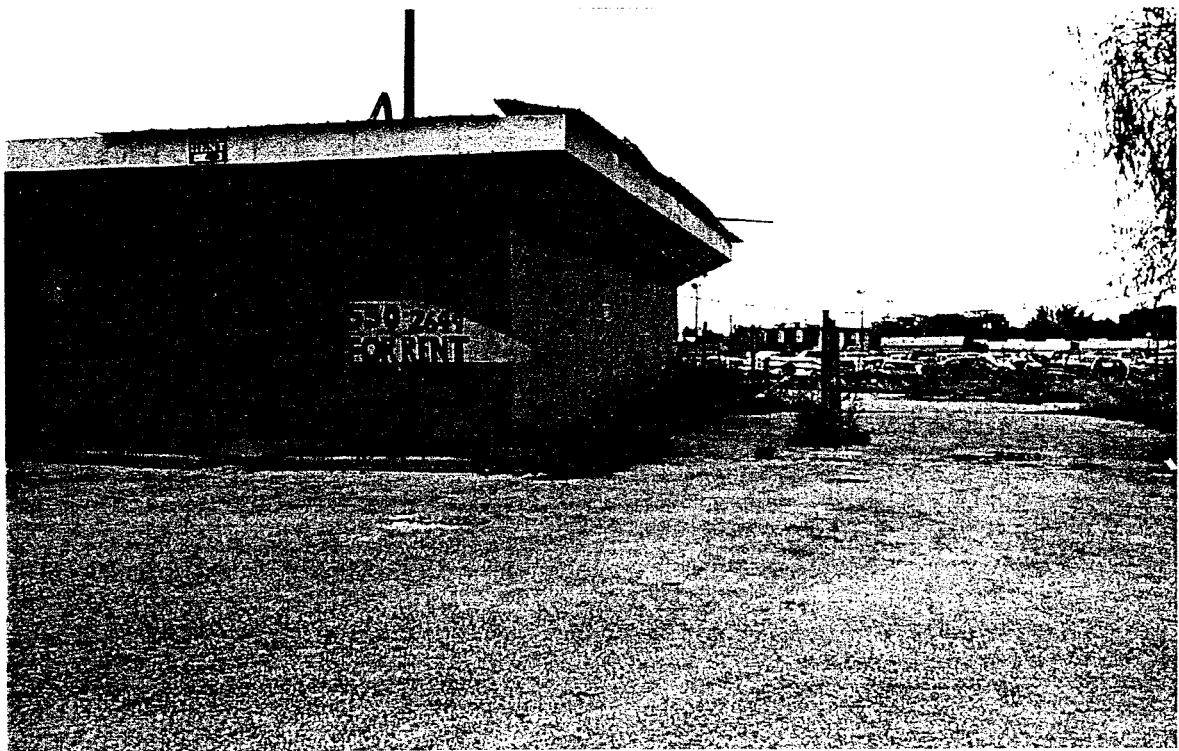


Figure 3F: 7201 South Loop East - Vacant, boarded-up, deteriorating structure



Figure 3G: 4500 Block Telephone Road – Auto and boat storage and deteriorating street

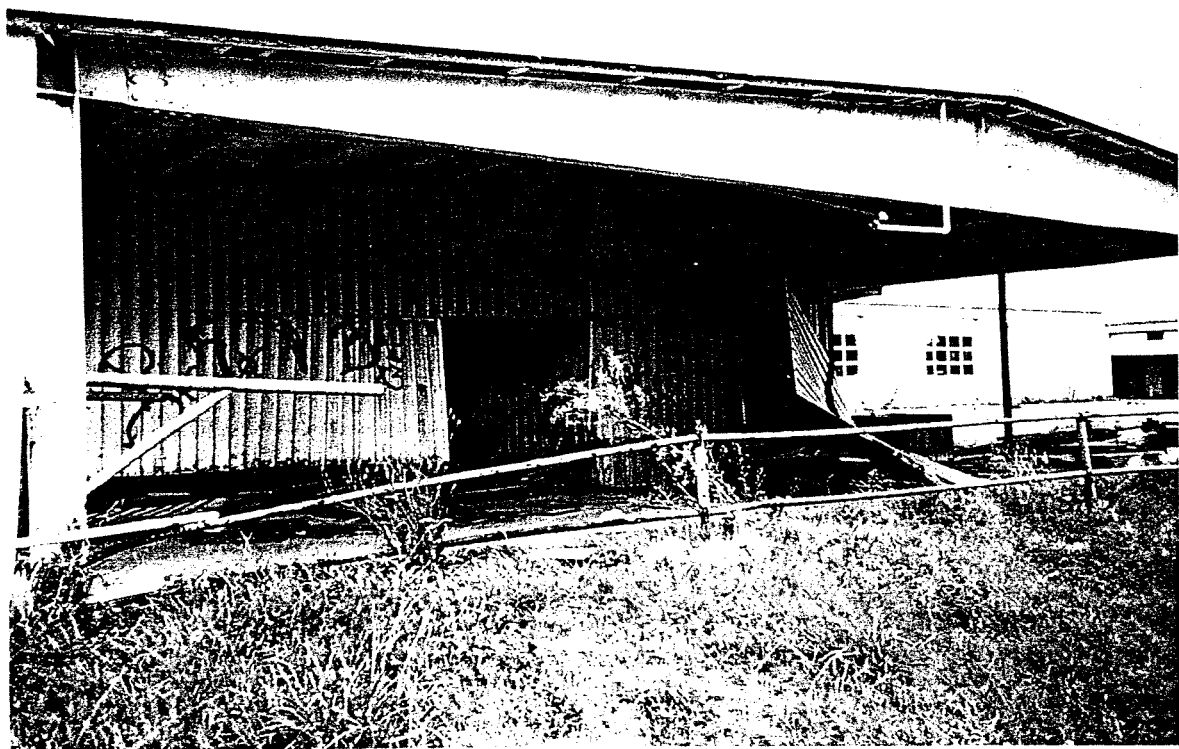


Figure 3H: 400 Block Winkler Drive – Vacant and deteriorating site



Figure 3I: 400 Block Winkler – Vacant, boarded-up, deteriorating structure that attracts transients

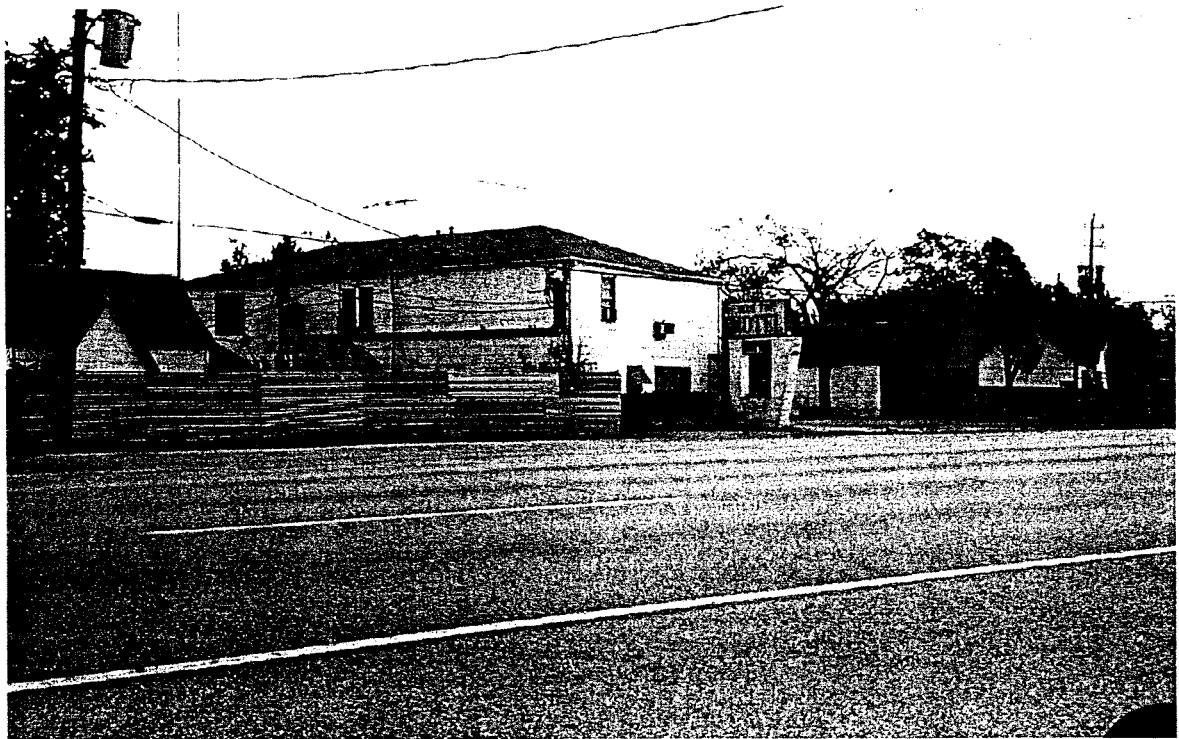


Figure 3J: 4400 Block Telephone Road – Deteriorating structures, lack of sidewalks

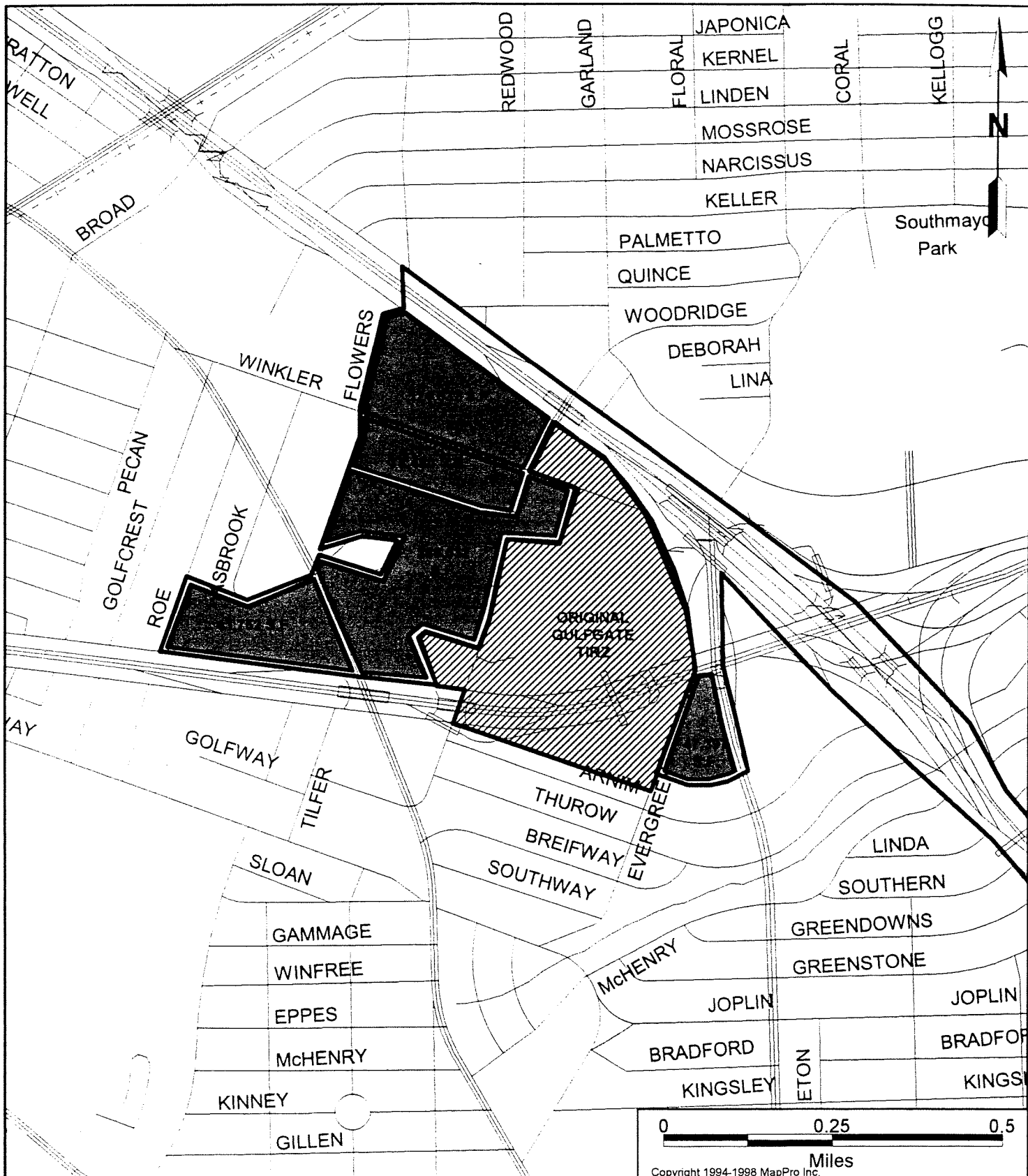
B. Proposed Improvements and Proposed Uses (311.011(b)(1))

The Final Plan for the Zone envisioned that the redevelopment of Gulfgate Shopping Center would act as a catalyst for the revitalization of the surrounding area. The proposed zone enlargement will facilitate the redevelopment of areas adjacent to the Gulfgate Shopping Center while enhancing the viability of the original Mall site. A major underground drainage channel currently bisects and impedes planned redevelopment of major parcels adjacent to the Mall. Today's development standards and national retail chain stores limit construction on top of such facilities, effectively splitting the building envelope in half and limiting its use. It is necessary to reconstruct the Plum Creek box culvert, a major public drainage channel, and relocate its easement to allow orderly development of the presently vacant and under-used properties. Proposed TIRZ improvements also include traffic improvements, such as traffic signals and right turn lanes that are necessary to improve mobility within and access to the area. The Zone is also proposing to fund landscaping within the public rights-of-way.

Figure 6 (page 20) illustrates the locations of the proposed public improvements that are necessary to facilitate the redevelopment of the area. Once made developable through improved drainage and access, the area surrounding the new Gulfgate Shopping Center will be a logical target area for retail and commercial services seeking proximity to a major retail destination. This is beginning to occur along the I-45 frontage road, but additional improvements are needed to open up the interior of the area along Woodridge for redevelopment. The Zone expansion will enable the development of a full spectrum of retail and commercial services adjacent to the mall similar to the development that occurred in and around Meyerland, which has seen a 400% increase in sales since redevelopment. Anticipated development is shown on Figure 4 (page 13). The potential uses being marketed by Wulfe are shown on Figure 5 (page 14) and include:

- Large Home Improvement Centers
- National Wholesale Super Discount Retail Store
- National Discount Department Store
- National Warehouse Club
- National Supermarket
- National Theater Chain

Figure 4 – Anticipated Commercial Development



DEVELOPMENT SYNOPSIS

PARCEL	ACRES	PROPOSED	EXISTING	PERCENT
1	27.35 AC.	1,000,000 S.F.	1,000,000 S.F.	100%
2	2.27 AC.	80,000 S.F.	80,000 S.F.	100%
3	1.00 AC.	36,000 S.F.	36,000 S.F.	100%
4	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
5	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
6	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
7	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
8	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
9	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
10	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
11	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
12	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
13	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
14	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
15	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
16	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
17	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
18	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
19	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
20	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
21	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
22	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
23	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
24	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
25	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
26	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
27	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
28	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
29	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
30	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
31	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
32	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
33	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
34	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
35	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
36	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
37	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
38	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
39	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
40	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
41	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
42	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
43	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
44	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
45	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
46	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
47	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
48	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
49	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
50	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
51	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
52	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
53	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
54	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
55	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
56	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
57	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
58	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
59	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
60	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
61	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
62	0.33 AC.	12,000 S.F.	12,000 S.F.	100%
63				

In addition, the commercial nature of the Zone is intended to provide employment and training opportunities to the residents of nearby neighborhoods. The revitalization of this additional area will increase and intensify the economic use of property surrounding the redeveloped Gulfgate Shopping Center, increasing its customer base and creating synergistic and compatible commercial uses. In addition to enhancing the viability of the retail redevelopment, the revitalization of this significant and highly visible area will contribute to the continuing economic revitalization of the Greater East End. Sales tax revenue expected to be generated by this commercial retail development in the expansion area is reflected on the chart below.

**GULFGATE ANNEXATION
PROJECTED SUPPLEMENTAL REVENUES**

YEAR	(1) ANNUAL SQ FOOT	CUMULATIVE SQ FOOT	(2) SALES/SQ FT \$150	ANNUAL (3) SALES TAX REV COLLECTED
1999	0	0	0	0
2000	109,744	109,744	16,461,600	0
2001	246,489	356,233	53,434,950	164,616
2002	251,253	607,486	91,122,900	534,350
2003	0	607,486	91,122,900	911,229
2004	141,092	748,578	112,286,700	911,229
2005	21,987	770,565	115,584,750	1,122,867
2006	28,345	798,910	119,836,500	1,155,848
2007	14,580	813,490	122,023,500	1,198,365
2008	13,568	827,058	124,058,700	1,220,235
2009		827,058	124,058,700	1,240,587
2010		827,058	124,058,700	1,240,587
2011		827,058	124,058,700	1,240,587
2012		827,058	124,058,700	1,240,587
2013		827,058	124,058,700	1,240,587
2014		827,058	124,058,700	1,240,587
2015		827,058	124,058,700	1,240,587
2016		827,058	124,058,700	1,240,587
2017		827,058	124,058,700	1,240,587
2018		827,058	124,058,700	1,240,587
2019		827,058	124,058,700	1,240,587
2020		827,058	124,058,700	1,240,587
2021		827,058	124,058,700	1,240,587
2022		827,058	124,058,700	1,240,587
2023		827,058	124,058,700	1,240,587
2024		827,058	124,058,700	1,240,587
2025		827,058	124,058,700	1,240,587
2026		827,058	124,058,700	1,240,587
2027		827,058	124,058,700	1,240,587
TOTAL	827,058			30,789,891

(1) Annual square footage estimates obtained from Gulfgate Development.
Assumes incremental sq ft values only for the proposed annexed area.
Does not include existing development.

(2) Annual gross sales per square footage calculated at \$150/sq foot
per the City of Houston.

(3) Sales Tax Revenues calculated at 1% of total gross sales.
Revenues collected in the year following the Gross Sales.

Source: Gulfgate Development

The foregoing estimate of sales tax revenue is based upon an estimate of \$1.50 of sales tax revenue being generated per square foot of retail for approximately 827,058 square feet to be built in the expansion area. As described in the Feasibility Study section of this amended plan, gross annual sales can be expected to reach approximately \$170 million at full build-out of the Gulfgate Shopping Center, much of which is in the original Zone area. Of the gross annual sales, a portion will be exempt, and not all sales will be retail.

C. Proposed Changes of Municipal Ordinances, Master Plan, or Codes (311.011(b)(2))

Other than the ordinance required for the expansion of the proposed area into the Zone and this First Amendment to the Plan, the expansion of the Zone is not anticipated to require any change to other ordinances, plans or codes of the City.

D. Non-Project Cost (311.011(b)(3))

The non-project costs for the original Zone as created in 1997 were \$42.8 million for the redevelopment of the Mall site. The total non-project cost for the expanded area is approximately \$50,500,000. Non-project costs within the proposed annexation area include Wulfe investment for construction of new retail space, other commercial space (shell), private upgrades to utilities serving these commercial sites and current CIP projects:

Large Home Improvement Center	\$11.23 million (132,176 sq. feet)
National Wholesale Super Discount Retail Store	\$17.33 million (203,856 sq. feet)
Restaurant pad space	\$ 2.55 million (30,000 sq. feet)
New/Replacement commercial space (shell)	\$16.20 million (381,282 sq. feet)
Upgrades to existing commercial space	\$ 1.99 million (79,744 sq. feet)
Reconstruction of Woodridge (City CIP)	\$ 1.20 million

There will be additional Non-Project Costs attributed to the recently created East End Management District, which will fund initiatives such as beautification, crime prevention, transportation planning, and workforce training. The District efforts will complement the public infrastructure improvements proposed for this area by the Gulfgate TIRZ.

E. Method of Relocating Persons (311.011(b)(4))

There is no existing residential development within the boundary of the expanded Zone. No relocation will be required.

II. REINVESTMENT ZONE FINANCING PLAN AMENDMENT

A. Estimated Project Cost (311.011(c)(1)) and Proposed Public Improvements (311.011 (c)(2))

The Project Costs, as defined in Chapter 311.011, being requested in connection with the expansion area for reimbursement are estimated at **\$4,587,685**. These improvements include:

- Relocation and reconstruction of a major public underground drainage channel
- Traffic improvements that include turn lanes and traffic signalization
- Landscaping of public rights-of-way
- Renovation of the existing pedestrian crosswalk that bridges Loop 610 and connects neighborhoods and disconnected TIRZ tracts to the south with Gulfgate Shopping Center

The proposed location of these public improvements is shown on Figures 6 and 7 (pages 20-21). The budget on the following page reflects the original zone Project Costs and the estimated Project Costs for the expansion area.

**GULFGATE
AMENDED BUDGET AND ESTIMATED EXPENSES**

ORIGINAL ZONE PROJECT COSTS		
Property Acquisition	\$	5,250,000
Related Cost and Creation Fees	\$	1,250,000
Financing Cost	\$	8,251,920
Total Original Zone Project Costs	\$	14,751,920

PROPOSED ANNEXATION PROJECT COSTS		
Box Culvert Removal (1015 LF), Replacement & Realignment (1154 LF)	\$	2,116,150
Contingency @ 10%	\$	211,615
Engineering @ 15%	\$	349,165
Subtotal	\$	2,676,930
Right Turn Lane Additions - I-610 & I-45 frontage roads to Woodridge & Convert Left Turn Lane to Esplanade - Woodridge from I-45 to Winkler	\$	100,000
Traffic Signalization (5) - New or modernized signals at I-45 and Woodridge, Winkler and Woodridge, Gulfgate Center Drive and Woodridge, I-610 and Woodridge, Telephone and Woodridge	\$	500,000
Contingency @ 10%	\$	60,000
Engineering @ 15%	\$	99,000
Subtotal	\$	759,000
Refurbished Crosswalk - Loop 610 between Evergreen and Woodridge (1)	\$	100,000
Landscaping & Irrigation - along Woodridge and Winkler ROWs	\$	127,870
Contingency @ 10% (2)	\$	12,787
Engineering @ 15% (2)	\$	21,099
Subtotal	\$	261,756
TIRZ Annexation - Professional and Legal Fees	\$	210,000
Related Costs & Interest Carry (3)	\$	680,000
Subtotal	\$	890,000
Total Proposed Annexation Project Costs	\$	4,587,685

Annexation Projects Financing Cost (4)	\$	6,230,033
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TOTAL AMENDED PROJECT COSTS		25,569,638
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(1) Includes concrete replacement; painting; safety compliance; beautification.

(2) Contingency & Engineering applied to Landscaping & Irrigation only.

(3) Estimate-based on two years interest carry on \$3.4 million. May not include all financing costs.

(4) Estimated interest calculated on bonds at 6.5%, inclusive of capitalized interest & debt reserve

Source: Cobourn Linseisen & Ratcliff, Inc., Traffic Engineers, Inc., McDugald-Steele and information provided by the Developer.

FIGURE 6 – LOCATION OF PROPOSED PUBLIC IMPROVEMENTS

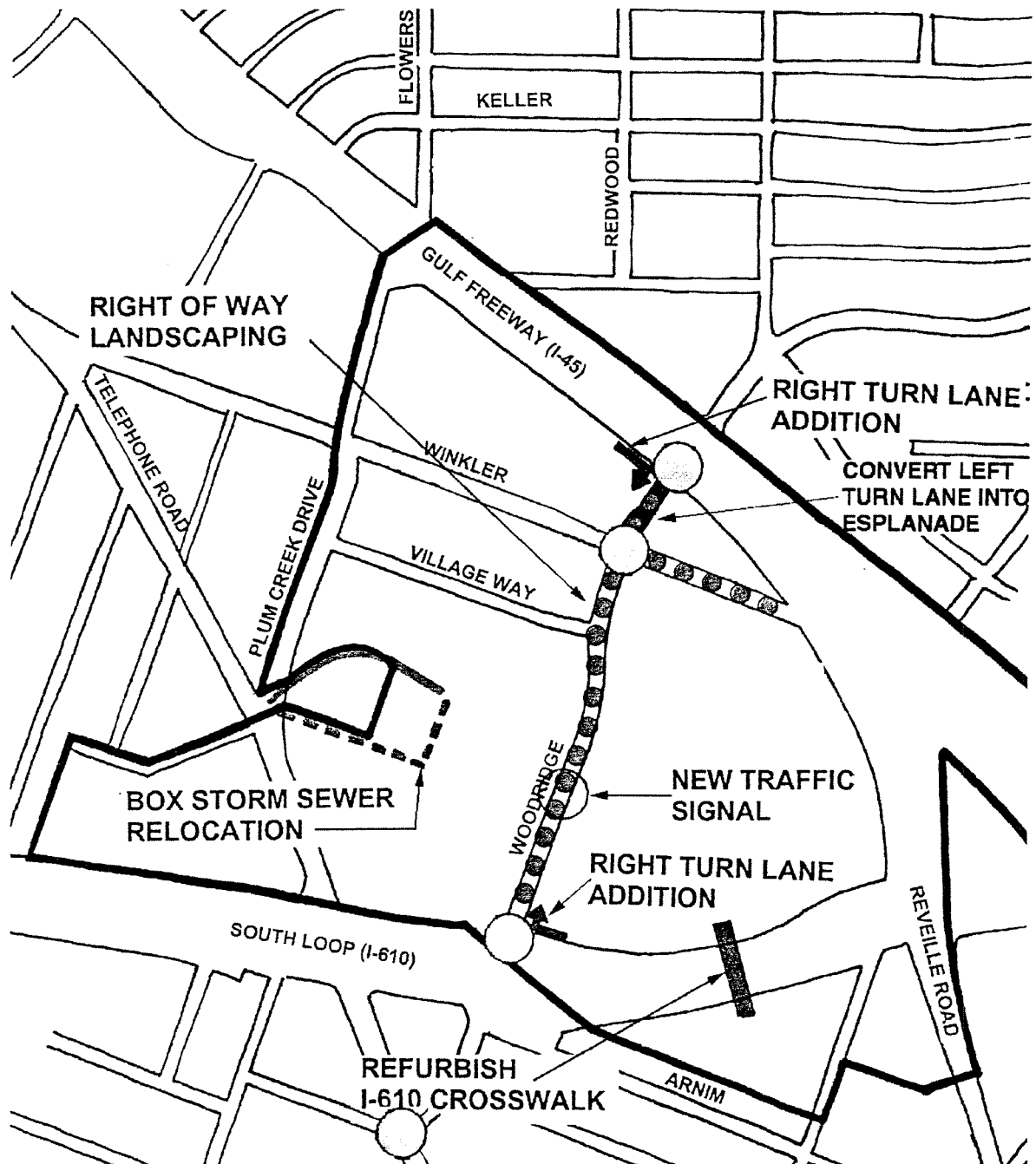
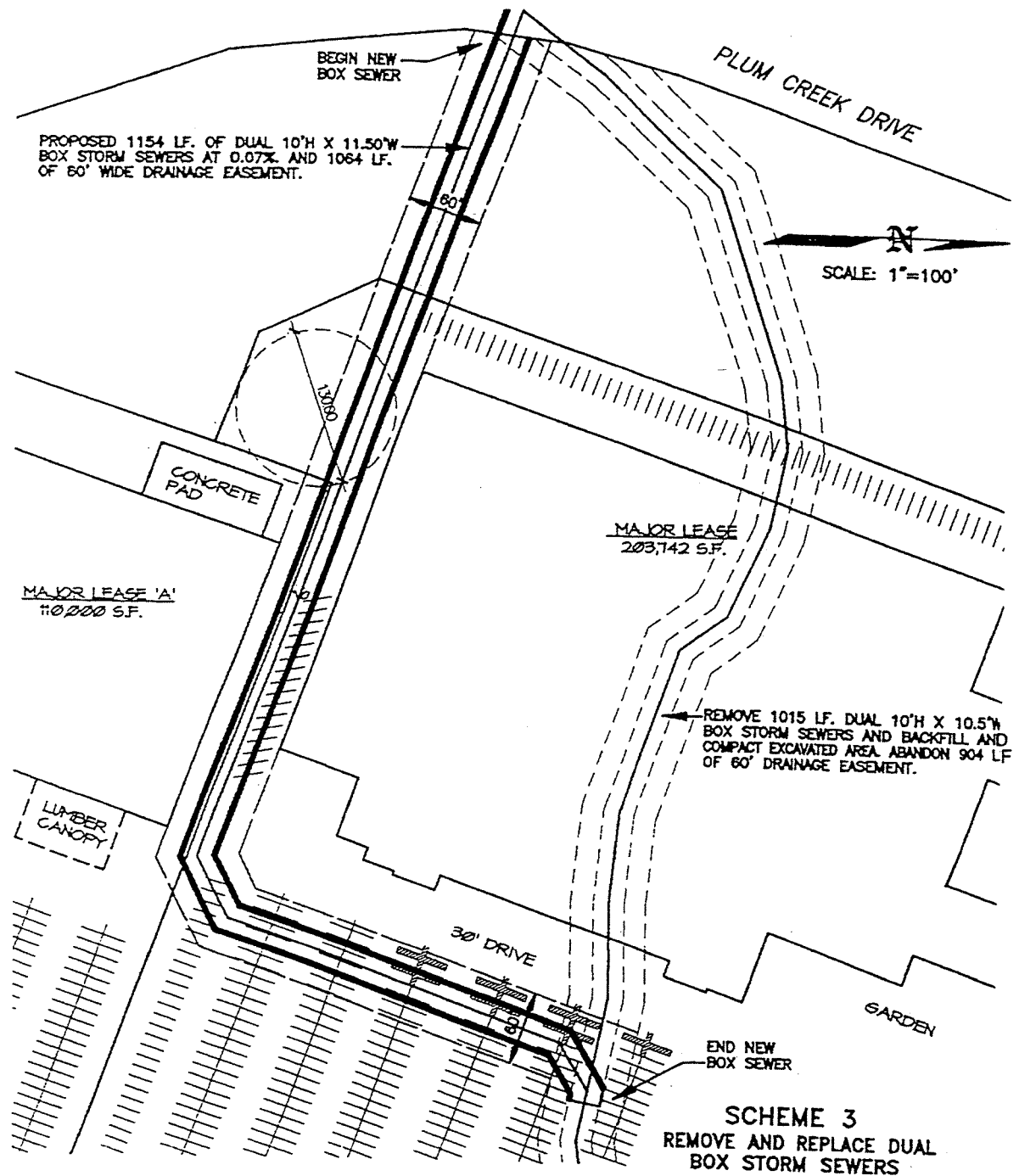


FIGURE 7 – BOX STORM SEWER RELOCATION DETAIL



B. Economic Feasibility Study (311.011(c)(3))

The original CDS Market Research Study performed in conjunction with creation of the Zone and a subsequent study of the proposed expansion (the "Study") confirm the significant and growing Hispanic influence and purchasing power in and around the Gulfgate area. The Study suggests that Hispanic households in the trade area could support \$185.5 million in retail sales from conventional retailers, including department stores, home improvement stores and discount retailers. Additionally the area could be expected to support approximately \$67.3 million in apparel and accessory sales, \$41.6 million in furniture sales and approximately \$34.4 million in computers and records/tapes sales.

According to the Study, the \$417.2 million comparison goods buying power of Hispanic households in the trade area can support 2.49 million square feet of *comparison goods* retail space (including discount and conventional dept. stores, home improvement, apparel, furniture, electronics). Subtracting the existing supply leaves 996,600 square feet of demanded comparison goods retail space. Redevelopment in the entire TIRZ will provide approximately 555,000 square feet of residual comparison goods space that will comprise 22 percent of the trade area total. According to CDS Research, at least 246,500 square feet of *convenience* retail space and other retail/service space, such as food stores, drug stores, and movie theaters can be supported, bringing the total to 801,500 square feet.

The Study anticipates that the Wulfe development will produce approximately \$170.3 million in gross annual sales, at build-out. It is estimated that 60% of the support for this retail space will come from Houston residents that reside in the trade area. Another 30% will come from visitors or residents of other cities, which equates to an inflow of approximately \$51.1 million in retail sales annually.

Redevelopment of other sites within the expansion area is anticipated to result in an additional 461,026 of upgraded or new commercial space. Since much of this anticipated development will replace existing marginal retail and commercial service space, it is felt that the trade area market will easily absorb it.

C. Estimate of Bonded Indebtedness to be Incurred (311.011(c)(4))

Wulfe will advance funds (from equity or loans) for the improvements and will be reimbursed as detailed in Developer Reimbursement Agreements and other documentation between Wulfe, the City and the TIRZ. Wulfe is requesting reimbursement for the Project Costs in the expansion area as listed in the amended budget above. Pursuant to the Developer Reimbursement Agreements, bonds, secured by a pledge of the tax increment revenue, may be issued by the Gulfgate Redevelopment Authority to reimburse Project Costs as listed in the amended budget above.

D. Time When Related Costs or Monetary Obligations Are To Be Incurred (311.011(c)(5))

The Zone will incur monetary obligations for public improvements only after completion, inspection and acceptance by the City of the eligible public improvements. The schedule below reflects the currently projected timing for construction of the proposed public drainage improvements and eligible project costs in the expansion:

PROPOSED BUDGET PHASING

Expansion Area Only

DESCRIPTION	1999	2000 (1)	2001 (2)	2002	TOTAL
Culvert Removal, Replacement & Realignment	0	1,058,075	1,058,075	0	2,116,150
Contingency @ 10%	0	105,808	105,808	0	211,615
Engineering @ 15%	0	174,582	174,582	0	349,165
Right Turn Lane Additions	0	0	0	70,000	70,000
Convert Left Turn Lane	0	0	0	30,000	30,000
Traffic Signalization	0	0	0	500,000	500,000
Contingency @ 10%	0	0	0	89,000	89,000
Engineering @ 15%	0	0	0	146,850	146,850
Refurbished Crosswalk - Loop 610	0	0	0	100,000	100,000
Landscaping & Irrigation	0	0	0	127,870	127,870
Contingency @ 10%	0	0	0	12,787	12,787
Engineering @ 15%	0	0	0	21,099	21,099
TIRZ Annexation - Legal/Professional Fees	210,000	0	0	0	210,000
Related Costs & Interest Carry	680,000	0	0	0	680,000
TOTAL	890,000	1,338,465	1,338,465	1,020,756	4,587,685

(1) Culvert Removal, Replacement & Realignment begins construction end of 2000.

(2) Culvert Realignment will be completed the first quarter of 2001.

E. Method of Financing (311.011(c)(6))

The Public improvements within the expansion area will be initially funded by Wulfe and will be reimbursed from the proceeds of tax increments generated by the new or re-developed projects within the expansion area. Once all financial obligations related to public improvements in the expansion area are met, revenue from the added area can be used for the benefit of the original zone.

Incremental revenue will be generated from the participation of the City, Harris County and Houston ISD. Participation is being requested from those jurisdictions in the amounts and percentages shown:

Jurisdiction	Requested Participation	% of 1998 Total Tax Rate	% of Expansion Area Increment
City of Houston	\$0.665/\$100	100%	38.6%
Harris County	\$0.4166/\$100	64%	24.2%
Houston ISD	\$0.96/\$100	66%	37.2%

Houston ISD will retain \$0.32/\$100 of its participation to fund school and educational facilities. This retainage is projected to total approximately \$3,823,437 in the expansion area and \$4,705,729 in the original Zone area.

F. Current Appraised Value (311.011(c)(7))

According to the Harris County Appraisal District, the appraised value as of January 1, 1998, the base year for the added property, is \$11,918,330.

G. Captured Appraised Value (311.011(c)(8))

The captured appraised value is the difference between the appraised value in the base year and the appraised value resulting from the proposed new development. The captured appraised value projected to be generated in the added area is expected to increase to **\$49,310,790** over the life of the zone. A detailed account of projected future values and annual revenue within the added area is located on the following page.

**GULFGATE ANNEXATION
PROJECTED TIRZ REVENUES**

YEAR	TOTAL (1) TAXABLE VALUE	TOTAL (2) TAX INCREMENT	CITY TAX (3) INCREMENTAL REV @ \$0.665	COUNTY TAX (4) INCREMENTAL REV @ \$0.41660	HISD TAX (5) INCREMENTAL REV @ \$0.64	ANNUAL TIRZ REVENUES	CUMULATIVE TIRZ REVENUES	HISD (6) INCREMENTAL 1/3 REV \$0.32
1999	11,918,330	BASE YEAR	BASE YEAR	BASE YEAR	BASE YEAR	BASE YEAR	BASE YEAR	0
2000	16,461,930	4,543,600	0	0	0	0	0	0
2001	32,555,193	20,636,863	29,308	18,361	28,207	75,876	75,876	14,103
2002	51,897,310	39,978,980	133,118	83,394	128,114	344,626	420,502	64,057
2003	51,897,310	39,978,980	257,884	161,556	248,190	667,630	1,088,131	124,095
2004	57,893,720	45,975,390	257,884	161,556	248,190	667,630	1,755,761	124,095
2005	58,828,167	46,909,837	296,564	185,787	285,415	767,767	2,523,528	142,708
2006	60,032,830	48,114,500	302,592	189,564	291,216	783,372	3,306,900	145,608
2007	60,652,480	48,734,150	310,363	194,432	298,695	803,489	4,110,389	149,347
2008	61,229,120	49,310,790	314,360	196,936	302,542	813,837	4,924,226	151,271
2009	61,229,120	49,310,790	318,079	199,266	306,121	823,467	5,747,692	153,061
2010	61,229,120	49,310,790	318,079	199,266	306,121	823,467	6,571,159	153,061
2011	61,229,120	49,310,790	318,079	199,266	306,121	823,467	7,394,625	153,061
2012	61,229,120	49,310,790	318,079	199,266	306,121	823,467	8,218,092	153,061
2013	61,229,120	49,310,790	318,079	199,266	306,121	823,467	9,041,558	153,061
2014	61,229,120	49,310,790	318,079	199,266	306,121	823,467	9,865,025	153,061
2015	61,229,120	49,310,790	318,079	199,266	306,121	823,467	10,688,491	153,061
2016	61,229,120	49,310,790	318,079	199,266	306,121	823,467	11,511,958	153,061
2017	61,229,120	49,310,790	318,079	199,266	306,121	823,467	12,335,425	153,061
2018	61,229,120	49,310,790	318,079	199,266	306,121	823,467	13,158,891	153,061
2019	61,229,120	49,310,790	318,079	199,266	306,121	823,467	13,982,358	153,061
2020	61,229,120	49,310,790	318,079	199,266	306,121	823,467	14,805,824	153,061
2021	61,229,120	49,310,790	318,079	199,266	306,121	823,467	15,629,291	153,061
2022	61,229,120	49,310,790	318,079	199,266	306,121	823,467	16,452,757	153,061
2023	61,229,120	49,310,790	318,079	199,266	306,121	823,467	17,276,224	153,061
2024	61,229,120	49,310,790	318,079	199,266	306,121	823,467	18,099,690	153,061
2025	61,229,120	49,310,790	318,079	199,266	306,121	823,467	18,923,157	153,061
2026	61,229,120	49,310,790	318,079	199,266	306,121	823,467	19,746,623	153,061
2027	61,229,120	49,310,790	318,079	199,266	306,121	823,467	20,570,090	153,061
TOTAL			7,945,579	4,977,637	7,646,873	20,570,090		3,823,437

- (1) Assumes 0% growth rate for Gulfgate Annexed Area.
(2) Assumes a 97% collection rate for all jurisdictions.
(3) Assumes City of Houston participation at 100% of \$0.665.
(4) Assumes Harris County Zone participation at 64% of \$0.6478.
(5) Assumes HISD participation at \$0.64 of 1998 tax rate (\$1.459).
(6) HISD 1/3 Incremental revenues calculated at \$0.32 on Incremental Values.
(7) Assumes revenues collected the year following the tax levy.

H. Duration of the Zone (311.011(c)(9))

The proposed enlargement will not alter the life of the Zone as set forth in the Final Plan, dated December 17, 1997, as adopted by Council. The duration of the entire Zone remains thirty (30) years and terminates on December 31, 2027.

PART B: ORIGINAL TIRZ PLAN (ADOPTED DECEMBER 12, 1997)

I. Overview Summary/Facts

1. The Gulfgate Shopping Center ("Shopping Center") area, located at the northwest corner of the intersection of Interstate Highway 45 South ("Gulf Freeway") and South Loop 610 Freeway, Houston, Texas, and the surrounding area has been in severe decline for two decades, suffering significant blight and deterioration during the last ten years. Reinvestment Zone Number Eight, City of Houston, Texas - Gulfgate ("TIRZ") encompasses approximately 67.58 acres; the Shopping Center property contains approximately 51.00 acres, 12.68 acres are public rights-of-way and 3.90 acres are peripheral properties.

Due to the increasing vacancy within the existing Shopping Center and the increasing deterioration of the immediate area in general, the assessed value of the Shopping Center has declined from approximately \$13.00 million to \$8.06 million over the last five years, a decline of 38% which is ongoing. The Shopping Center has experienced and is continuing to experience a loss of major and local tenants. For example, Dillard's Department Store closed in January 1997, General Cinema closed in May 1997 and Service Merchandise closed in July 1997. Sales tax collections from the Shopping Center have declined materially. The current occupancy of the Shopping Center is approximately 30% and the area surrounding it has experienced similar deterioration and property devaluation.

2. The Developer, Edmond D. Wulfe, Trustee ("Wulfe") or an entity in which he will be principal, proposes to acquire and demolish all or most of the Shopping Center and construct a new approximately 550,000 square foot regional retail power center and attendant facilities. Due to the extraordinary circumstances involved in the redevelopment of the Shopping Center, including the financing shortfall, infrastructure improvements, and the overwhelming deterioration of this area, this landmark high profile project will not occur at any point within a reasonable time frame "but for" the creation and participation in the Zone by all jurisdictions.

3. The Shopping Center site has been on the market for several years and was previously under contract to a different purchaser for almost one year, but the project was abandoned by the prospective purchaser after concluding that redevelopment of the center was not feasible. The structure's layout is obsolete and not marketable for today's retail environment. Upgrading it to meet today's building code is cost prohibitive. Environmental conditions, particularly the need to abate asbestos in the existing structure and to fill a dangerous underground tunnel system, only exacerbate the cost-prohibitive problems.

4. The overall development cost of the Shopping Center, including the site acquisition cost, is estimated at \$50,000,000. Wulfe will endeavor to secure acquisition, construction and permanent financing for the project. A not-for-profit corporation created by the City known as the Gulfgate Redevelopment Authority will acquire the project and long-term lease it to a Joint Venture, which will be owned 50% by Wulfe and 50% by the Houston Redevelopment Authority (HRA), an existing not-for-profit corporation. The HRA is a subsidiary of the Houston Housing Finance Corporation.

The project plan for the Shopping Center includes the development of a new 550,000 square foot regional retail power center located at one of Houston's busiest intersections with over 320,000 cars per day passing the site. The anticipated major retail tenant mix will include:

Home Improvement Center	Sporting Goods Store	Hobby & Crafts Store
Supermarket	Restaurants (3)	Major Bridal Store
Discount Department Store	Fast Food Restaurants (4)	Drug Store
Electronics Store	Cafeteria	Video Rental Store
Apparel Retail (2)	Pet Supply Store	Automotive Center
Movie Theater	Office Supply Store	

The new Shopping Center will target the substantial and ever-increasing Hispanic market in east Houston. Wulfe commissioned a feasibility/market study by CDS Research of Houston to quantify the depth of this Hispanic market (see Appendices). The tenant mix of the new

Shopping Center will also focus on this dominant market segment and address its unique purchasing demands.

5. Construction of the new Shopping Center is estimated to be completed by 2001; it will be open for business in November, 1999. It is anticipated that the new Shopping Center will be the catalyst for a renaissance of the immediate area. The Meyerland Shopping Center renovation, in which Wulfe was the Developer, provides a good current example of the potential for area redevelopment demand based on a successful new project.

6. When completed, the redevelopment by itself will add an estimated \$42,000,000 of captured assessed valuation from the Gulfgate Shopping Center. Significant redevelopment of the surrounding property in the TIRZ is also anticipated. CDS Research estimates potential sales subject to sales tax collection at \$117,800,000 based on market surveys, which would generate approximately \$1,178,000 in sales tax revenue to the City.

7. It is estimated that the new Shopping Center will create approximately 1,300 new permanent jobs over and above the jobs which will be created during the construction of the complex.

8. The TIRZ will seek HISD and Harris County participation.

II. Reinvestment Zone Number Eight, City of Houston, Texas (Gulfgate) Project Plan

A. Summary

Gulfgate Shopping Center, Houston's first enclosed shopping center, was developed and opened in 1956. It is located at the key intersection of Interstate 45 South ("Gulf Freeway") and the 610 Loop South ("South Loop 610"). The redevelopment of the Shopping Center requires TIRZ financing of an estimated \$6.5 million, of which \$5.25 million will be used for the acquisition of the Shopping Center. The TIRZ financing is required due to the substantial costs associated with the redevelopment of the site including the demolition, site work and environmental abatement which are attendant to the redevelopment of a 40-year old blighted project. Further, without participation by the TIRZ Plan this project will not occur. The use of a TIRZ will unite this important public/private partnership to rehabilitate this important area of the City.

Exhibit A, an airphoto, illustrates the existing land uses comprised of a blighted shopping center, vacant movie theaters, a vacant gas station and vacant land. Exhibit B illustrates the existing conditions of the real property within the Zone.

Exhibit C illustrates the proposed site plan layout of the Shopping Center. The existing Shopping Center will be demolished and a new 550,000 square foot center will be constructed.

B. Municipal Ordinances

The proposed redevelopment of the Shopping Center does not propose any changes to City of Houston ordinances of building codes.

C. TIRZ Non-Project Costs

Total TIRZ non-project costs are estimated at \$42,800,000. The Developer will provide construction and permanent financing for the development through a third party lender.

D. Relocation

No residents will be displaced.

Exhibit A – Existing Uses/Air Photo

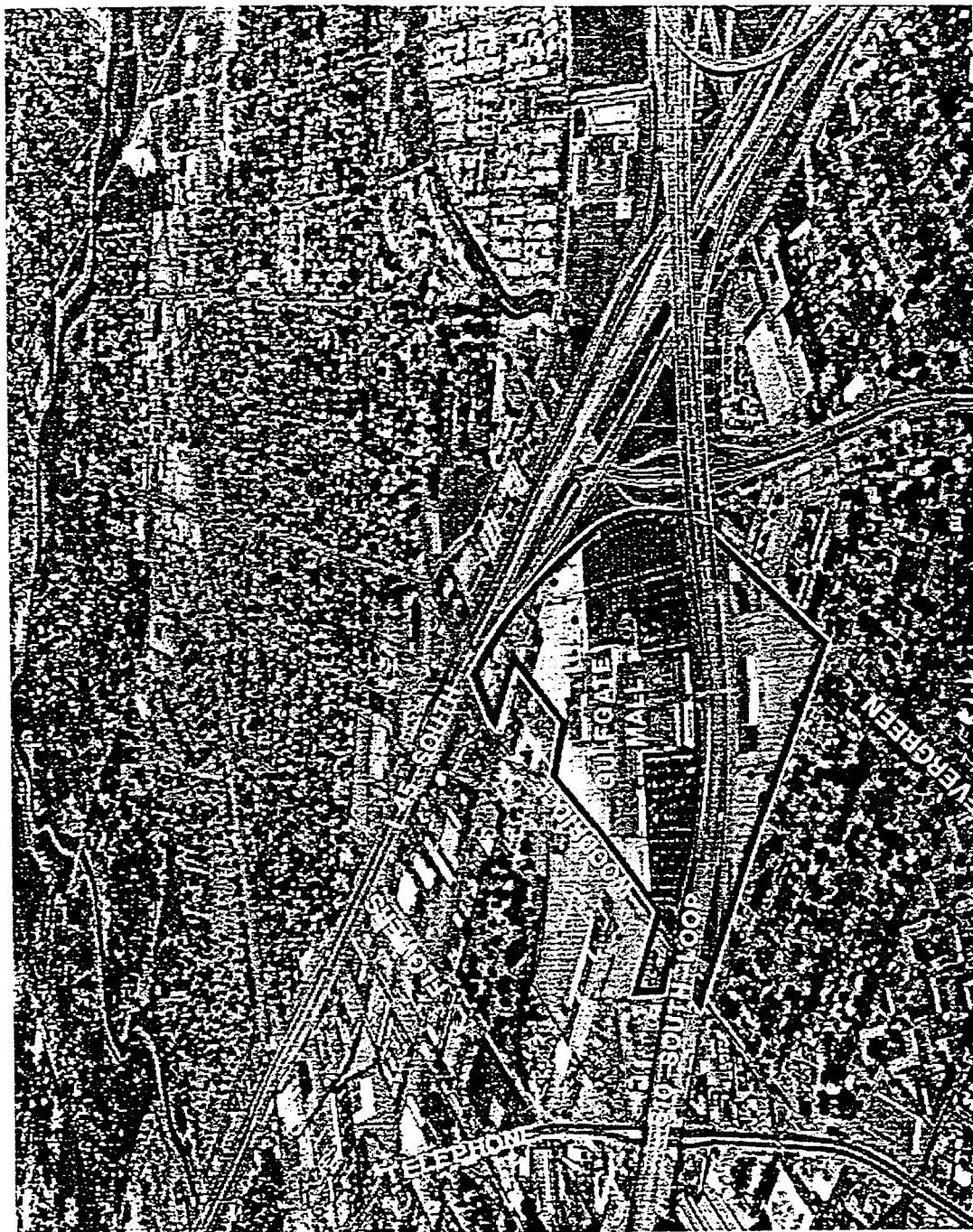
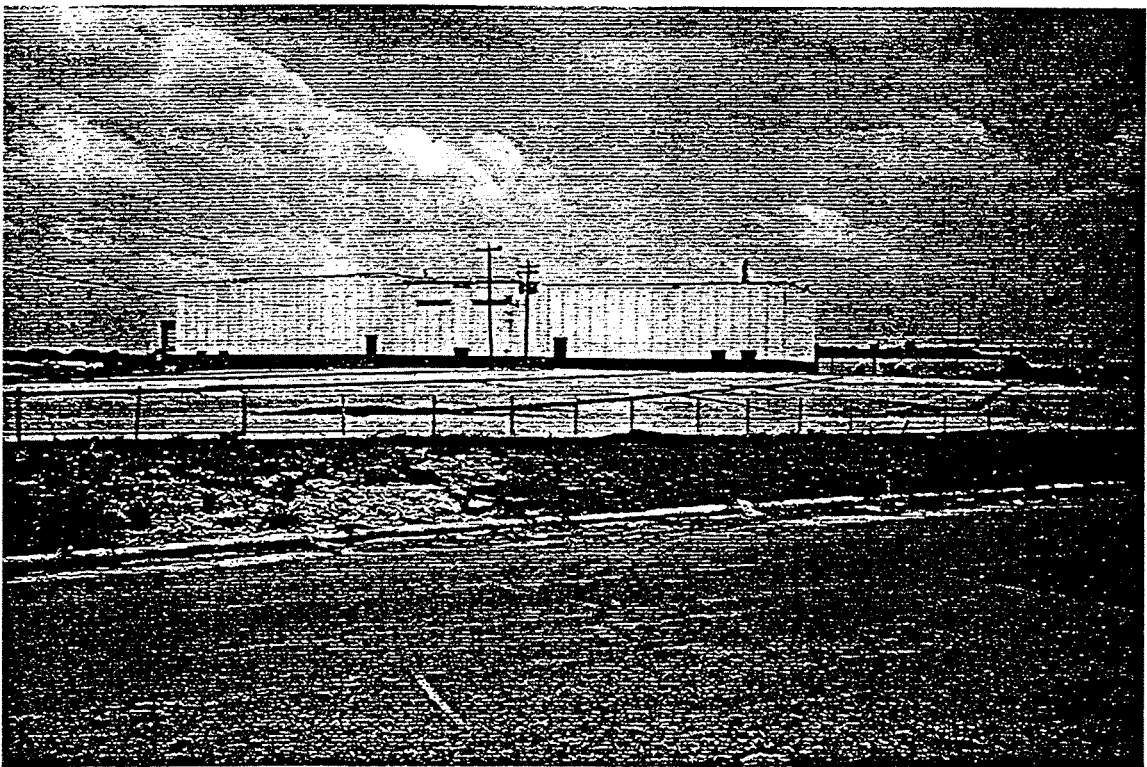


Exhibit B – Property Conditions



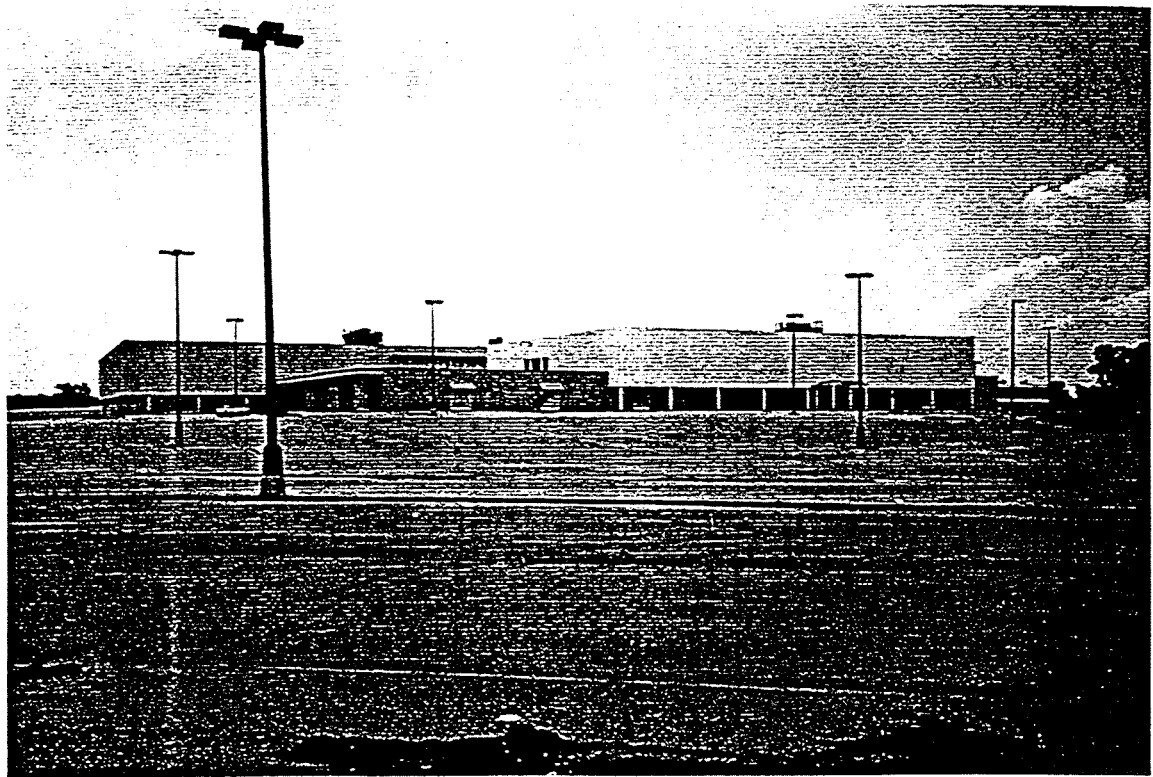
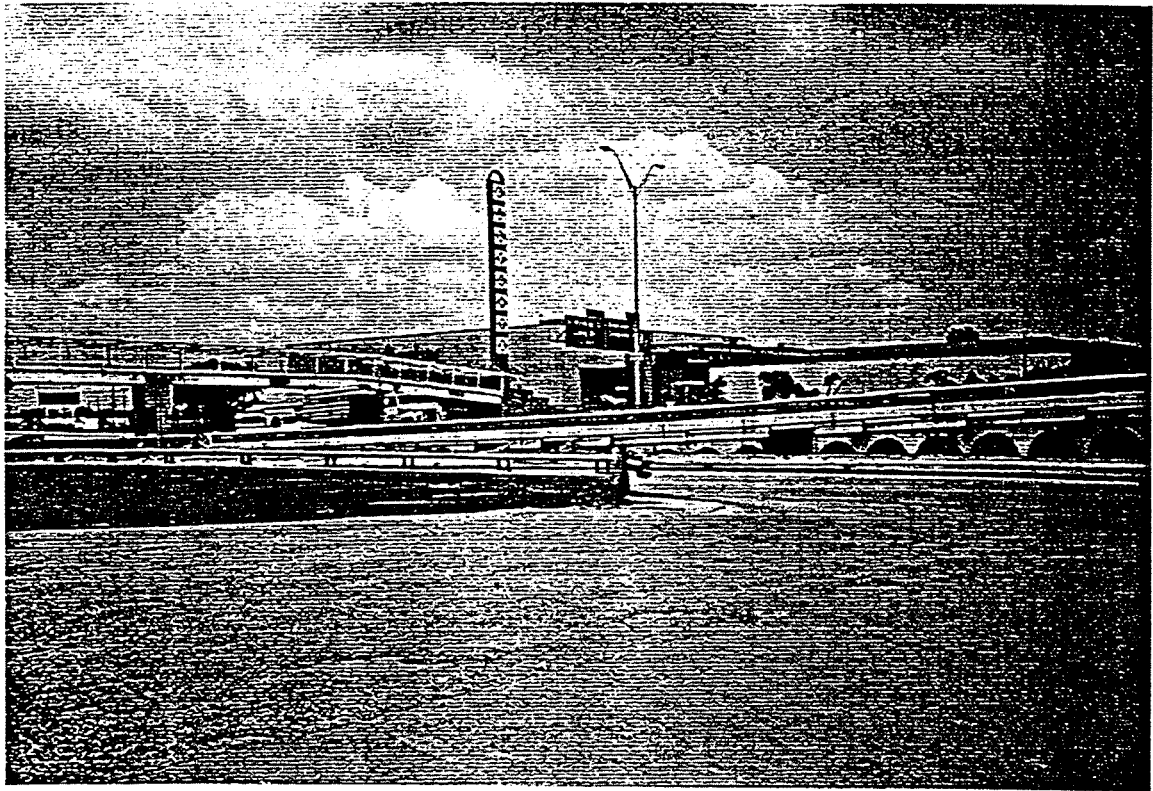
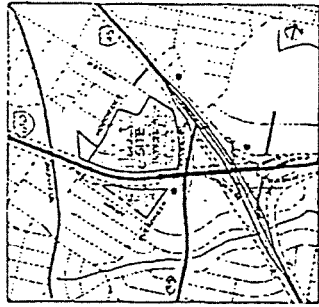


Exhibit C – Proposed Site Plan

GULFGATE SHOPPING CENTER



WULFEE & Co.

713/621-1700

1 SITE PLAN
SCALE: 1" = 125'-0"

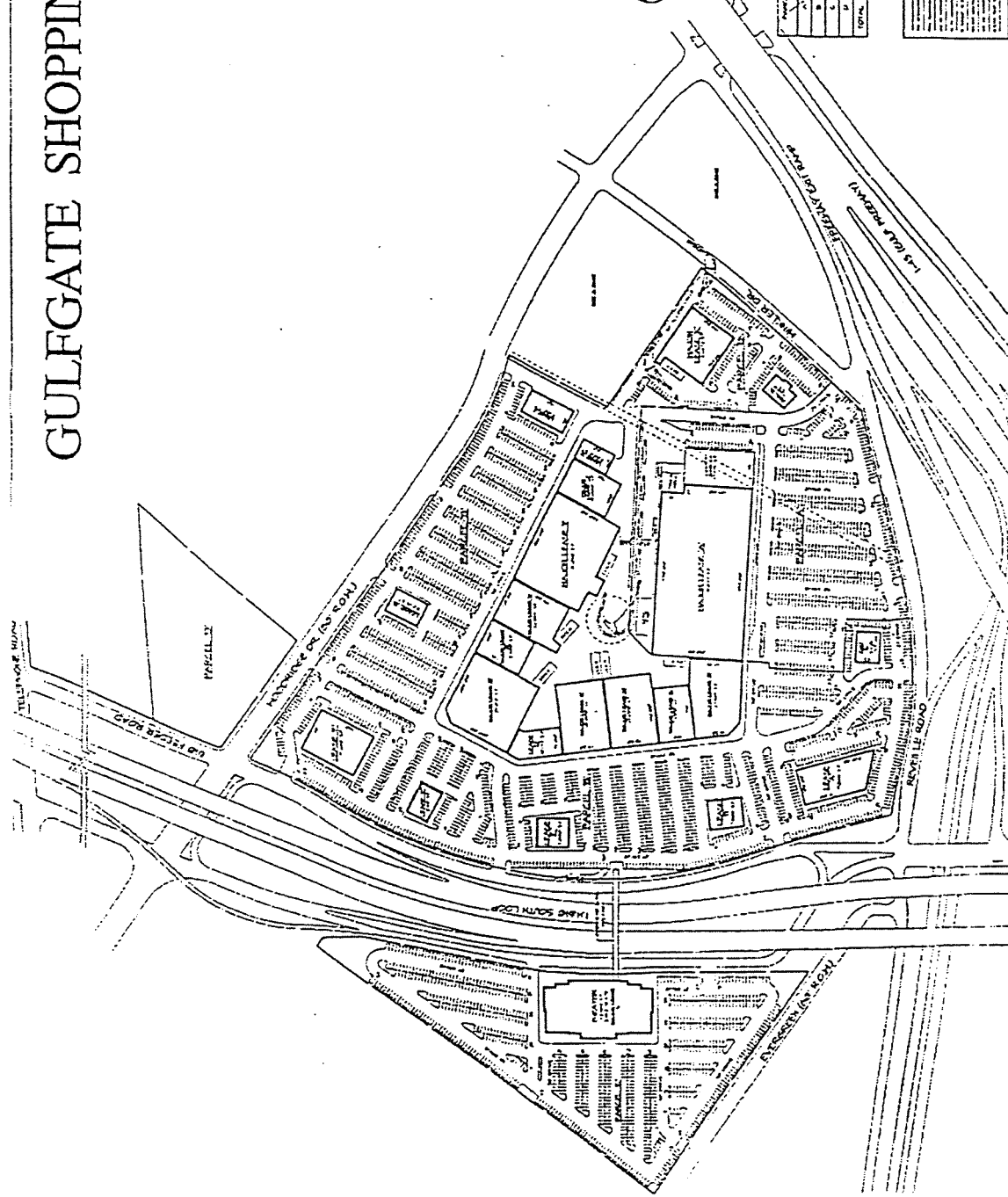
DEVELOPMENT SYNOPSIS

Area	Land	Plan	Area	Plan	Area	Plan
A	110,000 S.F.	110,000 S.F.	B	110,000 S.F.	110,000 S.F.	110,000 S.F.
C	110,000 S.F.	110,000 S.F.	D	110,000 S.F.	110,000 S.F.	110,000 S.F.
E	110,000 S.F.	110,000 S.F.	F	110,000 S.F.	110,000 S.F.	110,000 S.F.
G	110,000 S.F.	110,000 S.F.	H	110,000 S.F.	110,000 S.F.	110,000 S.F.
I	110,000 S.F.	110,000 S.F.	J	110,000 S.F.	110,000 S.F.	110,000 S.F.
K	110,000 S.F.	110,000 S.F.	L	110,000 S.F.	110,000 S.F.	110,000 S.F.
M	110,000 S.F.	110,000 S.F.	N	110,000 S.F.	110,000 S.F.	110,000 S.F.
O	110,000 S.F.	110,000 S.F.	P	110,000 S.F.	110,000 S.F.	110,000 S.F.
Q	110,000 S.F.	110,000 S.F.	R	110,000 S.F.	110,000 S.F.	110,000 S.F.
S	110,000 S.F.	110,000 S.F.	T	110,000 S.F.	110,000 S.F.	110,000 S.F.
U	110,000 S.F.	110,000 S.F.	V	110,000 S.F.	110,000 S.F.	110,000 S.F.
W	110,000 S.F.	110,000 S.F.	X	110,000 S.F.	110,000 S.F.	110,000 S.F.
Y	110,000 S.F.	110,000 S.F.	Z	110,000 S.F.	110,000 S.F.	110,000 S.F.
AA	110,000 S.F.	110,000 S.F.	AB	110,000 S.F.	110,000 S.F.	110,000 S.F.
AC	110,000 S.F.	110,000 S.F.	AD	110,000 S.F.	110,000 S.F.	110,000 S.F.
AE	110,000 S.F.	110,000 S.F.	AF	110,000 S.F.	110,000 S.F.	110,000 S.F.
AG	110,000 S.F.	110,000 S.F.	AH	110,000 S.F.	110,000 S.F.	110,000 S.F.
AI	110,000 S.F.	110,000 S.F.	AJ	110,000 S.F.	110,000 S.F.	110,000 S.F.
AK	110,000 S.F.	110,000 S.F.	AL	110,000 S.F.	110,000 S.F.	110,000 S.F.
AM	110,000 S.F.	110,000 S.F.	AN	110,000 S.F.	110,000 S.F.	110,000 S.F.
AO	110,000 S.F.	110,000 S.F.	AP	110,000 S.F.	110,000 S.F.	110,000 S.F.
AP	110,000 S.F.	110,000 S.F.	AQ	110,000 S.F.	110,000 S.F.	110,000 S.F.
AR	110,000 S.F.	110,000 S.F.	AS	110,000 S.F.	110,000 S.F.	110,000 S.F.
AT	110,000 S.F.	110,000 S.F.	AU	110,000 S.F.	110,000 S.F.	110,000 S.F.
AV	110,000 S.F.	110,000 S.F.	AW	110,000 S.F.	110,000 S.F.	110,000 S.F.
AX	110,000 S.F.	110,000 S.F.	AY	110,000 S.F.	110,000 S.F.	110,000 S.F.
AZ	110,000 S.F.	110,000 S.F.	BA	110,000 S.F.	110,000 S.F.	110,000 S.F.
BB	110,000 S.F.	110,000 S.F.	BC	110,000 S.F.	110,000 S.F.	110,000 S.F.
BD	110,000 S.F.	110,000 S.F.	BE	110,000 S.F.	110,000 S.F.	110,000 S.F.
BF	110,000 S.F.	110,000 S.F.	BG	110,000 S.F.	110,000 S.F.	110,000 S.F.
BH	110,000 S.F.	110,000 S.F.	BI	110,000 S.F.	110,000 S.F.	110,000 S.F.
BJ	110,000 S.F.	110,000 S.F.	BK	110,000 S.F.	110,000 S.F.	110,000 S.F.
BL	110,000 S.F.	110,000 S.F.	BM	110,000 S.F.	110,000 S.F.	110,000 S.F.
BN	110,000 S.F.	110,000 S.F.	BO	110,000 S.F.	110,000 S.F.	110,000 S.F.
BP	110,000 S.F.	110,000 S.F.	BQ	110,000 S.F.	110,000 S.F.	110,000 S.F.
BR	110,000 S.F.	110,000 S.F.	BS	110,000 S.F.	110,000 S.F.	110,000 S.F.
BT	110,000 S.F.	110,000 S.F.	BU	110,000 S.F.	110,000 S.F.	110,000 S.F.
BV	110,000 S.F.	110,000 S.F.	BW	110,000 S.F.	110,000 S.F.	110,000 S.F.
BX	110,000 S.F.	110,000 S.F.	BY	110,000 S.F.	110,000 S.F.	110,000 S.F.
BZ	110,000 S.F.	110,000 S.F.	CA	110,000 S.F.	110,000 S.F.	110,000 S.F.
CB	110,000 S.F.	110,000 S.F.	CC	110,000 S.F.	110,000 S.F.	110,000 S.F.
CD	110,000 S.F.	110,000 S.F.	CE	110,000 S.F.	110,000 S.F.	110,000 S.F.
CE	110,000 S.F.	110,000 S.F.	CF	110,000 S.F.	110,000 S.F.	110,000 S.F.
CF	110,000 S.F.	110,000 S.F.	CG	110,000 S.F.	110,000 S.F.	110,000 S.F.
CG	110,000 S.F.	110,000 S.F.	CH	110,000 S.F.	110,000 S.F.	110,000 S.F.
CH	110,000 S.F.	110,000 S.F.	CI	110,000 S.F.	110,000 S.F.	110,000 S.F.
CI	110,000 S.F.	110,000 S.F.	CJ	110,000 S.F.	110,000 S.F.	110,000 S.F.
CJ	110,000 S.F.	110,000 S.F.	CK	110,000 S.F.	110,000 S.F.	110,000 S.F.
CK	110,000 S.F.	110,000 S.F.	CL	110,000 S.F.	110,000 S.F.	110,000 S.F.
CL	110,000 S.F.	110,000 S.F.	CM	110,000 S.F.	110,000 S.F.	110,000 S.F.
CM	110,000 S.F.	110,000 S.F.	CN	110,000 S.F.	110,000 S.F.	110,000 S.F.
CN	110,000 S.F.	110,000 S.F.	CO	110,000 S.F.	110,000 S.F.	110,000 S.F.
CO	110,000 S.F.	110,000 S.F.	CP	110,000 S.F.	110,000 S.F.	110,000 S.F.
CP	110,000 S.F.	110,000 S.F.	CQ	110,000 S.F.	110,000 S.F.	110,000 S.F.
CQ	110,000 S.F.	110,000 S.F.	CR	110,000 S.F.	110,000 S.F.	110,000 S.F.
CR	110,000 S.F.	110,000 S.F.	CS	110,000 S.F.	110,000 S.F.	110,000 S.F.
CS	110,000 S.F.	110,000 S.F.	CT	110,000 S.F.	110,000 S.F.	110,000 S.F.
CT	110,000 S.F.	110,000 S.F.	CU	110,000 S.F.	110,000 S.F.	110,000 S.F.
CU	110,000 S.F.	110,000 S.F.	CV	110,000 S.F.	110,000 S.F.	110,000 S.F.
CV	110,000 S.F.	110,000 S.F.	CW	110,000 S.F.	110,000 S.F.	110,000 S.F.
CW	110,000 S.F.	110,000 S.F.	CX	110,000 S.F.	110,000 S.F.	110,000 S.F.
CX	110,000 S.F.	110,000 S.F.	CY	110,000 S.F.	110,000 S.F.	110,000 S.F.
CY	110,000 S.F.	110,000 S.F.	CZ	110,000 S.F.	110,000 S.F.	110,000 S.F.
CZ	110,000 S.F.	110,000 S.F.	DA	110,000 S.F.	110,000 S.F.	110,000 S.F.
DA	110,000 S.F.	110,000 S.F.	DB	110,000 S.F.	110,000 S.F.	110,000 S.F.
DB	110,000 S.F.	110,000 S.F.	DC	110,000 S.F.	110,000 S.F.	110,000 S.F.
DC	110,000 S.F.	110,000 S.F.	DD	110,000 S.F.	110,000 S.F.	110,000 S.F.
DD	110,000 S.F.	110,000 S.F.	DE	110,000 S.F.	110,000 S.F.	110,000 S.F.
DE	110,000 S.F.	110,000 S.F.	DE	110,000 S.F.	110,000 S.F.	110,000 S.F.

HERMES ARCHITECTS

1100 N. GULFGATE BLVD., SUITE 100
HOUSTON, TEXAS 77028
713/621-1700

PROJECT NAME: _____
PROJECT NO.: _____
DATE: _____
BY: _____
CHECKED BY: _____



III. Reinvestment Zone Number Eight (Gulfgate) Final Financing Plan

A. Estimated Project Cost Description

The estimated project cost for the Zone is \$6.5 million of which \$5.25 million will be used by the Gulfgate Redevelopment Authority for the acquisition of the Shopping Center and related expenses. The Gulfgate Redevelopment Authority will execute a long-term (30 year) lease back, with a purchase option, to a Joint Venture which will redevelop it. The Joint Venture or Limited Partnership (the "Joint Venture") will be composed of a Wulfe-controlled entity and the Houston Redevelopment Authority ("HRA"), a not-for-profit corporation.

HRA and Wulfe will each furnish \$1,950,000 to the Venture as their initial equity contributions. Each Venturing Partner will make an additional equity contribution of approximately \$565,000 at a later date. Upon substantial completion of the redevelopment, equity contributions from the Venturing Partners will equal approximately \$2,515,000 each. In lieu of paying the additional \$565,000 in cash, the HRA may make its contribution in the form of capital improvements, provided by the City, to the extent that such capital improvements are included in the construction budget for the Shopping Center. The specific items eligible for credit against the equity contribution will be subject to approval by the City through the Development Agreement.

The total cost of the project, which includes acquisition, demolition and development of the new Shopping Center containing approximately 550,000 square feet is estimated at approximately \$50 million. The estimated budget for TIRZ reimbursement is \$6.5 million, which includes the acquisition cost, bond issuance cost and related professional fees, plus interest. The estimated interest on the \$6.5 million in bonds or notes is approximately \$8.251 million. Exhibit D illustrates the annual estimated debt service requirements to support the \$6.5 million in bonds or notes, based on a 9.5% interest rate. In addition, the administrative expenses for operating the Zone will also be paid from Zone revenues. The cost of administration over the life of the Zone is approximately \$740,000 and is illustrated as annual payments on Exhibit E. The proposed duration of the Zone is 30 years.

In consideration of their defined contributions, the Wulfe entities, collectively, and the HRA will each have a fifty per cent (50%) equity position in the Joint Venture, and each will have a right-of-first refusal if either Partner wants to sell. The Joint Venture will assume the existing outstanding mortgage without recourse. Wulfe Gulfgate, Inc. will serve as Managing Partner or General Partner. On behalf of the Joint Venture, Wulfe will endeavor to secure third party financing for the balance of the acquisition, payment of the initial assumable loan, construction and related development costs in the amount of approximately \$40,000,000. During the life of the Joint Venture, each Venturing Partner will share in all new revenues generated by the Shopping Center in proportion to its ownership interest. If additional capital beyond the projected \$2,515,000 each is required, either party may provide it and be repaid before the Venturing Partners receive any distribution.

The Gulfgate Redevelopment Authority will issue bonds or notes in an amount required to pay the estimated \$6.5 million, plus capitalized interest and related TIRZ expenses. The TIRZ, the City and the Redevelopment Authority will enter into a contract pursuant to which the City and TIRZ will pay the tax increments to the Redevelopment Authority. The Redevelopment Authority will use these tax increment payments to secure the repayment of the bonds or notes. Wulfe will not commence any construction phase for the new Shopping Center until leases are in place to generate a cash flow sufficient to service any construction and related development loans.

Exhibit D – Estimated Bonded Indebtedness to Be Incurred

AMORTIZED DEBT SCHEDULE OF BONDED INDEBTEDNESS TO BE INCURRED GULFGATE MALL TWENTY YEAR PAYMENT SCHEDULE ON PROPOSED 71.55 ACRE PROJECT

Year	1998
Principal Amount	6,500,000
Interest-One Year	617,500
Payment	737,600
Criteria	9.5%

DATE	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	BALANCE OWING	NET TIRZ REVENUES	CUMULATIVE TIRZ REVENUE	NET CASH AVAILABLE	DEBT (NET) COVERAGE	DEBT (CUM) COVERAGE
9/15/98	0	0	0	0	0	0	0		
9/15/99	0	0	0	0	17,434	17,434	17,434		
9/15/00	0	0	0	0					
9/15/01	0	0	0	6,500,000	293,204	310,638	310,638		
9/15/02	120,100	617,500	737,600	6,379,900	643,004	216,042	216,042	0.872	0.293
9/15/03	131,510	606,091	737,600	6,248,391	652,613	131,055	131,055	0.885	0.178
9/15/04	144,003	593,597	737,600	6,104,388	695,258	88,713	88,713	0.943	0.120
9/15/05	157,683	579,917	737,600	5,946,704	754,875	105,988	105,988	1.023	0.144
9/15/06	172,663	564,937	737,600	5,774,041	848,128	216,516	216,516	1.150	0.294
9/15/07	189,066	548,534	737,600	5,584,975	860,198	339,114	339,114	1.166	0.460
9/15/08	207,027	530,573	737,600	5,377,948	872,413	473,927	473,927	1.183	0.643
9/15/09	226,695	510,905	737,600	5,151,253	884,775	621,102	621,102	1.200	0.842
9/15/10	248,231	489,369	737,600	4,903,022	897,285	780,787	780,787	1.216	1.059
9/15/11	271,813	465,787	737,600	4,631,209	909,945	953,132	953,132	1.234	1.292
9/15/12	297,635	439,965	737,600	4,333,574	922,757	1,138,289	1,138,289	1.251	1.543
9/15/13	325,910	411,690	737,600	4,007,663	935,723	1,336,412	1,336,412	1.269	1.812
9/15/14	356,872	380,728	737,600	3,650,792	948,844	1,547,656	1,547,656	1.286	2.098
9/15/15	390,775	346,825	737,600	3,260,017	962,123	1,772,179	1,772,179	1.304	2.403
9/15/16	427,898	309,702	737,600	2,832,118	975,561	2,010,140	2,010,140	1.323	2.725
9/15/17	468,549	269,051	737,600	2,363,570	989,160	2,261,700	2,261,700	1.341	3.066
9/15/18	513,061	224,539	737,600	1,850,509	1,002,923	2,527,023	2,527,023	1.360	3.426
9/15/19	561,802	175,798	737,600	1,288,707	1,016,851	2,806,274	2,806,274	1.379	3.805
9/15/20	615,173	122,427	737,600	673,534	1,030,945	3,099,619	3,099,619	1.398	4.202
9/15/21	673,614	63,986	737,600	(80)	1,045,209	3,407,228	3,407,228	1.417	4.619
TOTAL	6,500,000	8,251,920	14,752,000		18,159,228				

Notes:
Assumes 9.5% interest rate.
Assumes twenty year estimated debt schedule.
Assumes loan paid off in 2021.
Assumes a possible balloon payment in 2018.
Assumes growth rate at 1.2%.

B. Economic Feasibility

A marketing survey prepared by CDS Research confirms the extent of this burgeoning market (see Appendices). CDS concluded that a redeveloped Shopping Center has an annual sales potential of \$113,900,000 to \$121,700,000 in 1997 dollars for a 550,000 square foot super community shopping center or power center. As much as 30% of the support for the Shopping Center could come from outside the City of Houston, providing a direct boost to City sales tax revenues. The CDS analysis was conservative in that it relied completely on the buying power of Trade Area Hispanic households to reach a conclusion about viability.

C. Project Financing Information for Bonded Indebtedness, Monetary Obligation Duration, and Method of Financing

All of the \$6.5 million must be available no later than commencement of demolition or site work. To repay the estimated \$6.5 million bonds or notes, it will be critical to obtain participation from the all three principal taxing jurisdictions. Exhibit E illustrates the projected tax increment revenues (captured appraised value) estimated to be generated on the incremental value over the life of the TIRZ. It is projected using current tax rates, that the annual TIRZ increment would average \$800,000. Debt service payments are estimated at \$737,000 annually calculated with a 9.5% interest rate over a 20-year debt schedule with an annual inflation rate of 1.2%. The financing does not require a tax rate increase.

D. Impact of City's Participation

The estimated total appraised value of the Zone is \$8.5 million. The projected value of the new center within the proposed TIRZ is approximately \$50 million. The City portion of the increment calculated on a \$50 million valuation is estimated at approximately \$315,000 annually, based on current tax rates with a ninety-five percent (95%) tax collection rate. During the life of the Zone, the estimated captured appraised value on the City of Houston portion is

**GULFGATE MALL
CAPTURED APPRAISED VALUE
ON PROPOSED 71.55 ACRE PROJECT**

Exhibit E – Captured Appraised Value

**NEW TAX INCREMENT CREATED
FROM PROPOSED DEVELOPMENT**

TAX YEAR	TOTAL TAXABLE VALUE	TAX INCREMENT
1997	8,063,000	BASE YEAR
1998	8,063,000	0
1999	12,159,756	4,096,756
2000	28,305,673	20,242,673
2001	48,645,341	40,582,341
2002	49,229,085	41,166,085
2003	51,819,834	43,756,834
2004	55,441,672	47,378,672
2005	61,106,972	53,043,972
2006	61,840,256	53,777,256
2007	62,582,339	54,519,339
2008	63,333,327	55,270,327
2009	64,093,327	56,030,327
2010	64,862,447	56,799,447
2011	65,640,796	57,577,796
2012	66,428,486	58,365,486
2013	67,225,628	59,162,628
2014	68,032,335	59,969,335
2015	68,848,723	60,785,723
2016	69,674,908	61,611,908
2017	70,511,007	62,448,007
2018	71,357,139	63,294,139
2019	72,213,425	64,150,425
2020	73,079,986	65,016,986
2021	73,956,946	65,893,946
2022	74,844,429	66,781,429
2023	75,742,562	67,679,562
2024	76,651,473	68,588,473
2025	77,571,290	69,508,290
2026	78,502,146	70,439,146
2027	79,444,172	71,381,172
TOTAL		

PROJECTED TIRZ FUNDS AVAILABLE

COLLECTION YEAR	CITY TAX INCREMENTAL REV @ \$0.0650	COUNTY TAX INCREMENTAL REV @ 0.42768	HISD TAX INCREMENTAL REV @ \$0.04	TIRZ ADMIN EXPENSE	NET REVENUE	NET CUMULATIVE REVENUE	HISD REV \$0.32
1998	0	0	0	0	0	0	0
1999	25,881	16,645	24,908	(50,000)	17,434	17,434	12,454
2000	127,803	82,245	123,075	(40,000)	293,204	310,638	61,538
2001	256,379	164,884	246,741	(25,000)	643,004	953,642	123,370
2002	260,067	167,256	250,290	(25,000)	652,613	1,606,255	125,145
2003	276,434	177,782	266,042	(25,000)	695,250	2,301,513	133,021
2004	299,315	192,498	288,062	(25,000)	754,875	3,056,387	144,031
2005	335,105	215,516	322,507	(25,000)	848,128	3,904,515	161,254
2006	339,738	218,495	326,966	(25,000)	860,198	4,764,714	163,483
2007	344,426	221,510	331,478	(25,000)	872,413	5,637,127	165,739
2008	349,170	224,561	336,044	(25,000)	884,775	6,521,902	168,022
2009	353,972	227,649	340,664	(25,000)	897,285	7,419,187	170,332
2010	358,831	230,774	345,341	(25,000)	909,945	8,329,132	172,670
2011	363,748	233,936	350,073	(25,000)	922,757	9,251,889	175,037
2012	368,724	237,137	354,862	(25,000)	935,723	10,187,612	177,431
2013	373,760	240,375	359,709	(25,000)	948,844	11,136,456	179,854
2014	378,856	243,653	364,614	(25,000)	962,123	12,098,579	182,307
2015	384,014	246,970	369,577	(25,000)	975,561	13,074,140	184,789
2016	389,233	250,327	374,600	(25,000)	989,160	14,063,300	187,300
2017	394,515	253,724	379,684	(25,000)	1,002,923	15,066,223	189,842
2018	399,861	257,162	384,828	(25,000)	1,016,851	16,083,074	192,414
2019	405,270	260,641	390,035	(25,000)	1,030,945	17,114,019	195,017
2020	410,745	264,161	395,303	(25,000)	1,045,209	18,159,229	197,652
2021	416,285	267,724	400,635	(25,000)	1,059,645	19,218,873	200,318
2022	421,892	271,330	406,031	(25,000)	1,074,253	20,293,126	203,016
2023	427,566	274,979	411,492	(25,000)	1,089,037	21,382,163	205,746
2024	433,308	278,672	417,018	(25,000)	1,103,998	22,486,161	208,509
2025	439,119	282,409	422,610	(25,000)	1,119,138	23,605,299	211,305
2026	444,999	286,191	428,270	(25,000)	1,134,461	24,739,760	214,135
2027							
TOTAL	9,779,094	6,289,207	9,411,459	(740,000)	24,739,760		4,705,729

Assumes base year as shown on 1997 tax rolls for 51 acres which reflects a lower assessed value.

Assumes a 95% collection rate.

Assumes 1.2% growth rate.

Assumes total City Increment dedicated to the TIRZ.

Assumes HISD at \$0.64 to the TIRZ - remaining \$0.32 to HISD.

Assumes first three years TIRZ administration included in the project debt.

Assumes the TIRZ will be used to repay the estimated \$6.5MM shortfall. Estimated payout is 20 years or 2018.

(TIRZ proceeds can then be returned to the jurisdictions.)

Assumes preliminary study as of 12/12/07 - subject to revision per project financing

\$9,779,094. In addition, the new Shopping Center is projected to generate initially an estimated \$825,000 annually in net sales tax revenue to the City. Over the life of the TIRZ, an estimated \$1,274,000 in franchise fees and \$2,796,000 in water and sewer fees will be generated to the City. Exhibit F illustrates these City revenues over the life of the TIRZ and the estimated captured appraised value. However, repayment on the notes or bonds is projected to take 20 years, or until 2018.

E. Impact of All Participating Jurisdictions

Upon completion of the new Shopping Center, after TIRZ reimbursement has been satisfied, the project will generate incremental revenue of approximately \$429,000 annually to HISD, based on a \$0.64/\$100 participation, and approximately \$287,000 annually to Harris County, based on a \$0.42768/\$100 participation.

GULF-GATE PROJECTED CITY REVENUES ON PROPOSED 71.55 ACRE PROJECT

Exhibit F – Projected City Revenues

TAX YEAR	TOTAL TAXABLE VALUE	TAX INCREMENT	(Note 1) CITY PROPERTY TAX			ADDITIONAL CITY REVENUES				(Note 5) 1% SALES TAX CDS STUDY
			BASE	INCREMENT	TOTAL	(Note 2) 1% CITY SALES TAX	(Note 3) FRANCHISE FEES	(Note 4) WTR/SWR REVENUES	TOTAL	
1997	8,063,000	BASE YEAR	50,938	0	50,938					
1998	8,063,000	0	50,938	0	50,938					1,178,000
1999	12,159,756	4,096,756	50,938	25,881	76,819	65,934	38,562	84,610	189,106	1,192,136
2000	28,305,673	20,242,673	50,938	127,883	178,821	329,670	39,024	85,625	454,320	1,206,442
2001	48,645,341	40,582,341	50,938	256,379	307,317	659,340	39,493	86,653	785,486	1,220,919
2002	49,229,085	41,166,085	50,938	260,067	311,005	659,340	39,967	87,693	786,999	1,235,570
2003	51,819,834	43,756,834	50,938	276,434	327,372	692,307	40,446	88,745	821,498	1,250,397
2004	55,441,672	47,378,672	50,938	299,315	350,253	741,758	40,931	89,810	872,499	1,265,402
2005	61,106,972	53,043,972	50,938	335,105	386,043	824,175	41,423	90,888	956,485	1,280,586
2006	61,840,256	53,777,256	50,938	339,738	390,676	824,175	41,920	91,978	958,073	1,295,953
2007	62,582,339	54,519,339	50,938	344,426	395,364	824,175	42,423	93,082	959,680	1,311,505
2008	63,333,327	55,270,327	50,938	349,170	400,108	824,175	42,932	94,199	961,306	1,327,243
2009	64,093,327	56,030,327	50,938	353,972	404,910	824,175	43,447	95,330	962,952	1,343,170
2010	64,862,447	56,799,447	50,938	358,831	409,769	824,175	43,968	96,473	964,617	1,359,288
2011	65,640,796	57,577,796	50,938	363,748	414,686	824,175	44,496	97,631	966,302	1,375,599
2012	66,428,486	58,365,486	50,938	368,724	419,662	824,175	45,030	98,803	968,008	1,392,107
2013	67,225,628	59,162,628	50,938	373,760	424,698	824,175	45,570	99,988	969,734	1,408,812
2014	68,032,335	59,969,335	50,938	378,856	429,794	824,175	46,117	101,188	971,480	1,425,718
2015	68,848,723	60,785,723	50,938	384,014	434,952	824,175	46,671	102,402	973,248	1,442,826
2016	69,674,908	61,611,908	50,938	389,233	440,171	824,175	47,231	103,631	975,037	1,460,140
2017	70,511,007	62,448,007	50,938	394,515	445,453	824,175	47,797	104,875	976,847	1,477,662
2018	71,357,139	63,294,139	50,938	399,861	450,799	824,175	48,371	106,133	978,679	1,495,394
2019	72,213,425	64,150,425	50,938	405,270	456,208	824,175	48,951	107,407	980,533	1,513,338
2020	73,079,986	65,016,986	50,938	410,745	461,683	824,175	49,539	108,696	982,410	1,531,498
2021	73,956,946	65,893,946	50,938	416,285	467,223	824,175	50,133	110,000	984,309	1,549,876
2022	74,844,429	66,781,429	50,938	421,892	472,830	824,175	50,735	111,320	986,230	1,568,475
2023	75,742,562	67,679,562	50,938	427,566	478,504	824,175	51,344	112,656	988,175	1,587,297
2024	76,651,473	68,588,473	50,938	433,308	484,246	824,175	51,960	114,008	990,143	1,606,344
2025	77,571,290	69,508,290	50,938	439,119	490,057	824,175	52,583	115,376	992,134	1,625,620
2026	78,502,146	70,439,146	50,938	444,999	495,937	824,175	53,214	116,761	994,150	
2027	79,444,172	71,381,172	50,938							
TOTAL			1,528,140	9,779,094	11,205,358	21,280,199	1,274,278	2,795,963	25,350,439	38,927,316

ASSUMPTIONS:

- Note 1: Assumes 95% collection rate.
- Note 2: Assumes sales tax estimate based on square feet at \$1.50.
- Note 3: Assumes City of Houston formula for franchise fees based on type and amount of usage. (.008*313*10*.04*550,000*.07)
- Note 4: Assumes water/sewer revenues based on City of Houston formula. (550,000*.000223*315*365/1000*6)
- Note 5: Assumes CDS sales tax revenue based on CDS Market and Economic Study with 30% of the revenue generated from outside the City of Houston. However, for the purpose of this analysis, the more conservative revenue streams were calculated. Assumes 1.2% growth rate and a lower assessed value.

IV. Proposed Schedule of Improvements

The Shopping Center improvements are proposed to be completed by 2001. Below is an outline of the projected schedule for construction and installation of improvements:

A. Year One to Year Five - January 1, 1998 to December 31, 2002

Years One through Five of this Plan will commence on January 1 in 1998, 1999, 2000, 2001 and 2002 and will terminate December 31, in each year.

Activities shall include: construction of water, sanitary sewer, storm water detention, drainage, paving, demolition, environmental abatement, other construction activities and related professional activities to serve the development as proposed and budgeted.

In addition, the administration of the TIRZ shall be directed by the Board of Directors of the TIRZ and funded through the TIRZ under the provisions of Chapter 311, Tax Code. The Board will provide for TIRZ Administration, Legal Counsel, Finance and Administration, Engineering, etc.

B. Year Six to Year Ten - January 1, 2003 to December 31, 2007

Years six through ten of this Plan will commence on January 1 of each year in the years 2003 through 2007, and terminate on December 31 of each of those years. Activities shall include any necessary construction activities and related services, other appropriate consultant services, and administrative services related to the implementation of the Project Plan.

In addition, the administration of the TIRZ shall be directed by the Board of Directors of the TIRZ and funded through the TIRZ under the provisions of Chapter 311, Tax Code. The Board will provide for TIRZ Administration, Legal Counsel, Finance and Administration, Engineering, etc.

C. Year Eleven to Year Thirty - January 1, 2008 - December 31, 2027

Years eleven through thirty of this Plan will commence on January 1 of each year in the years 2008 through 2027, and terminate on December 31 of each of those years. Activities shall include any necessary construction activities and related services, other appropriate consultant services, and administrative services related to the implementation of the Project Plan.

In addition, the administration of the TIRZ shall be directed by the Board of Directors of the TIRZ and funded through the TIRZ under the provisions of Section 311, Tax Code. The Board will provide for TIRZ Administration, Legal Counsel, Finance and Administration, Engineering, etc.